

Thank you Mr. Chairman for holding this important hearing. I am pleased that the committee has a chance to review the final risk-based-capital rule for Fannie Mae and Freddie Mac. This capital standard has been a long time coming and we are grateful that the process has now concluded. We look forward to this rule being enforceable in the months ahead.

The risk-based capital is designed to ensure that the GSE's can survive the worst of housing downturns, with high credit losses and huge moves in interest rates over a ten-year period. This risk-based capital is unique, because it requires the GSE's to operate their businesses in a way that creates an incentive for risk reduction activities; it should be a model for all companies.

It is important for this subcommittee to realize that the risk-based capital standard is just one piece of an overall safety and soundness regime for these congressionally chartered companies. To be clear, after the 1992 legislation, both of these companies were bound by minimum capital standards and continuous "on-site" examinations. And, long before Enron and Worldcom, in October 2000, Fannie Mae and Freddie Mac announced six initiatives that the financial markets now rely upon to maximize financial transparency and market discipline.

Unlike any other company, these two companies have signed up for an annual credit rating, additional interest rate and credit risk disclosures, additional liquidity management, interim implementation of the risk-based capital standard, and the issuance of subordinated debt.

Less than two weeks ago, I joined SEC Chairman Harvey Pitt and Fannie Mae and Freddie Mac for an announcement where these two companies agreed to register their common stock under the 1934 SEC Act – which now binds these two companies to comply with SEC requirements for periodic corporate financial disclosures.

In the press interviews after the announcement, Frank Raines committed on CNBC that Fannie Mae will certify 2001 financial statements by mid-August, just as SEC Chairman Harvey Pitt has asked of the top 1,000 publicly traded companies.

In addition, I was pleased to hear this morning that both companies have announced they are recommending to their boards of directors that they begin expensing all stock-based compensation.

In the current economic environment, few other companies are stepping up to the plate to lead on financial disclosure and transparency the way that Freddie Mac and Fannie Mae are.

I look forward to hearing from Director Falcon, and I appreciate the hard work of this Subcommittee.